

**CareFirst Disclosure Schedules  
Agreement and Plan of Merger  
November \_\_, 2001**

2. Group Life Insurance Program (See note)
3. Travel Accident Program
4. Educational Assistance Program
5. Group Dental Insurance Program (Dental Care)
6. Dental Health Plus Dental Benefit Program
7. Employee Assistance Program
8. Cafeteria Program
9. Health Care Spending Account Program
10. Severance Pay Program
11. Group Health Insurance Program (POS) (See note) Note
12. Group Health Insurance Program (CMM 250) (See note) Note
13. Group Health Insurance Program (CMM 200) (See note) Note
14. Special Medicfill Health Insurance Program (See note) Note
15. Adoption Assistance Program
16. Supplemental Life Insurance (See footnote 1) (See Note)
17. Dependent Life Insurance (See footnote 1) (See Note)
18. Flexible Spending Accounts

NOTE See NOTE: See BCBSD-CareFirst Affiliation Agreement, Section 7.5 re "grandfathering."

**EMPLOYMENT AGREEMENTS:**

*Need to see  
a copy!*

1. ~~CareFirst, Inc.; BCBS-NCA; BCBS-MD:~~  
William L. Jews, David Wolf, Gregory Devou, John Picciotto, G. Mark Chaney, Leon Kaplan, Sharon Vecchioni, Michael Felber
2. **The Michelsen Group, Inc.:**  
W. James Michelsen
3. **Patuxent Medical Group Physicians (Original & Non-Original):**  
BCBS-MD has employment agreements with both the Original and Non-Original Physicians associated with Patuxent Medical Group. Under the agreements with the Original Physicians, these physicians are entitled to assurances from any purchaser that a purchaser will take subject to these contracts and guarantee their performance.
4. **Potomac Physicians:** We have employment agreements with the physicians associated with Potomac Physicians, P.A.
5. ~~BCBSD: Paul King, Christine Alrich, William Kirk, Peggy Mitchell, Paul Kaplan, M.D., Thomas Pruitt, John Castiglione, M.D., Ralph Grouch, Robert Reed, Jerry Isenogle, Manuel Juarez, William Eaton, William Wyer, Christine L. Alrich, John R. Castiglioni, D.O., William E. Kirk, III, Paul A. Kaplan, M.D. and Thomas F. Pruitt~~

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Section 4.12(b)(iii) Employee Plans; ERISA; Labor Matters

CareFirst's qualified ~~defined benefit~~ pension plans cannot be terminated in 30 days.

The termination of the qualified plans requires notice in excess of 30 days (between 60-90 days) to affected parties such as:

- Each plan participant;
- Each beneficiary of a deceased plan participant; and
- Each alternate payee under a Qualified Domestic Relations Order.

In addition, after the Standard Termination Notice for the defined benefit plan has been filed with the PBGC, the PBGC has 60 days in which to review, and possibly nullify, the termination. The BlueCross and BlueShield of Delaware Retirement Plan cannot be terminated without providing a minimum of 90 days written notice to The National Employee Benefits Association, and such notice may require indemnification provisions.

CareFirst's qualified 401(k) plan can officially terminate in less than 30 days. As an administrative matter, termination of the qualified defined contribution plan would require a winding up period of more than 30 days. In addition, the IRS may take 6 months to a year to approve the termination, and the plan must continue to be administered during this period (no new contributions or participants).

Additionally, notice in excess of 30 days may have to be provided to FEP, CMS, and the local insurance commissioners in Maryland, Delaware and the District of Columbia.

While CareFirst's welfare benefit plans can generally meet the 30 day timeframe ~~be~~ terminated in 30 days, there could be payment ~~run~~ due for "claims run-out" after the 30 day period. CareFirst incurs approximately \$8,000,000 in quarterly claims expenditures.

Also, while CareFirst Pension Plans may be terminated, contracts by which the Plans are administered or funded may require longer than 30 days notice, and early termination may generate fees or penalties.

Section 4.12 (j)(4) The BCBSD SERP II plan (and related officer employment agreement) provides that if the plan is terminated, the participant must be given an opportunity to elect an early retirement option.

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**Section 4.12(i)(ii) Employee Plans; ERISA; Labor Matters**

CareFirst may be obligated to pay separation, severance, termination or other benefits solely as a result of the consummation of the transactions contemplated by the Merger Agreement, in accordance with the terms of the plans and agreements set forth in these disclosure schedules, including, without limitation, Retention Bonuses Related to Strategic Affiliation for Key Employees, Merger Incentives for Key Executives and Transition Support (Severance) Related to Strategic Affiliation.

Additionally, CareFirst currently has the following severance liabilities to former employees under Severance/Release Agreements, which maintain confidentiality provisions:

<u>Company</u>	<u>Name</u>	<u>Job Title</u>	<u>Remaining Obligation</u>
BCBS-MD	Patricia Franklin	Encounter Data Specialist	\$1,532.64
BCBS-MD	Joyce McCorkle	Quality Improvement	\$19,690.92
BCBS-MD	Sherry Tyler	Administrative Supervisor	\$5,507.01
BCBS-MD	Kelvin Mosley	Sr. Auditor	\$13,479.37
BCBS-MD	Jeffrey Arman	IT Audit Manager	\$25,972.60
PPPA	Jack Goble, Jr.	Health Center Administrator	\$806.96
PPPA	Adreine Mills	Referral Specialist	\$2,008.08
PPPA	Tanya Dixon	Referral Specialist	\$2,458.76
BCBS-NCA	Donna Andrews	Audit Manager	\$18,054.18
Willse	Teresa Mallouky	Member Service Manager	\$10,986.63
BCBS-NCA	Leon Fishman	Lead Business Analyst	\$17,331.00
BCBSD	Maria Chesterton	Director, International Business	\$14,166.68
BCBSD	Margaret Mitchell	Executive Assistant	
BCBSD	Ralph E. Crouch	CEO	\$243,000
BCBSD	Robert E. Reed	VP Systems	\$128,000
BCBSD	Manuel Inarez	VP International	\$437,000
BCBSD	Jerry R. Jeenogle, Sr.	Sr. VP Operations	\$237,000

*Handwritten:*  
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**Section 4.16 Non-competition Agreements**

1. Managed Pharmacy Benefit Services Agreement between BCBS-MD and Advanced Paradigm, Inc. dated January 1, 1996.

2. Agreement between GreenSpring Health Services, Inc. and GreenSpring Mental Health Services, Inc. dated March 19, 1993.

3. License and Exclusive Supply Agreement between FlavoRx, Inc. and CMP dated November 24, 1997.

4. BCBSD is bound by certain restrictions provided in its agreements with Fort Dearborn Life Insurance Company and National Guardian Life Insurance Company.

~~5. See also Section 4.17 disclosure schedules~~

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Section 4.21 Affiliate Transactions

1. I. Richard Lilly, M.D., a member of the CareFirst, Inc. Board of Directors, is a physician whose practice receives reimbursement.
2. Charles W. Shivery, a member of the CareFirst, Inc. Board of Directors, is an executive with Constellation Energy Group, part of a company from which CareFirst purchases electricity.
3. Sister Carol Keehan, a member of the CareFirst, Inc. and BCBS-NCA Boards of Directors is CEO of Providence Hospital in the District of Columbia, which hospital receives reimbursement from CareFirst.
4. Edward J. Baran, Vice Chairman of the CareFirst, Inc. Board of Directors, is an executive with BCS Financial Services, Inc., a company from which CareFirst purchases certain insurances.
5. Ben Corballis, M.D., Vice Chairman of the BCBS, Inc. Board of Directors, is a stockholder in a professional services corporation which receives payments from BCBS, Inc.
6. Garrett B. Lyons, D.D.S., a member of the BCBS, Inc. Board of Directors, is a dentist who receives reimbursement from BCBS, Inc. [TO BE PROVIDED]

reimbursement

\$250,000?

AM in excess of

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open

3. BCBS-NCA expects to enter into a lease for about 340,000 square feet of office space at an approximate market rate of about \$34.00 per square foot, on a full-service basis, and relocate the operations currently performed at 550 12<sup>th</sup> Street, SW, Washington, D.C. into such space.

4. Retention Bonuses Related to Strategic Affiliation for Key Employees.

5. Merger Incentives for Key Executives.

6. Transition Support (Severance) Related to Strategic Affiliation.

7. See also Section 4.32(a) disclosure schedule.

8. See also Section 4.21 disclosure schedule.

9. CareFirst may merge the CareFirst of Maryland, Inc. Retirement Plan and the Group Hospitalization and Medical Services, Inc. Pension Trust Plan in 2002. CareFirst also is considering merging the pension plan that covers BCBSD employees into one of its other pension plans.

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